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NATIONAL INTELLIGENCE DAILY CABLE

Saturday August 13, 1977

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DIA review(s) completed.

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Saturday, August 13, 1977.

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The NID Cable is for the purpose of informing senior US officials.

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Chile

LEBANON-ISRAEL: Situation Report

25X1 [redacted] *The military situation in southern Lebanon has not changed much in recent days, although fairly heavy shelling continues. The Israelis are making contradictory assessments of the situation there and may be trying to build a case either for military intervention or a US demarche to the Syrians.*

25X1 [redacted] The Palestinians assert that the Israelis initiated a heavy artillery barrage against Nabatiyah late Thursday and that an Israeli infantry company attempted to enter Yarun yesterday but was repelled. The Palestinians clearly fear an impending Israeli attack. [redacted]

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25X1 [redacted] Lebanese army commander Khury told the US defense attache Thursday that he and Foreign Minister Butrus agree that Lebanese army units should not be sent to the south to implement the Shaturah agreement until a cease-fire is in effect and Palestinian forces have withdrawn from the border area. Khury believes he would need at least two weeks to execute any order to proceed south. At present, he is placing token forces in barracks in the south and sending selected officers into the area to lay the groundwork.

25X1 [redacted] //Senior Israeli officials, meanwhile, continue to assert that the Christians are in desperate straits. Chief of Staff Gur told the US defense attache that he believes the Christians' ability to hold out against the Palestinians may collapse without continued and perhaps increased Israeli assistance.//

25X1 [redacted] //Gur indicated that he opposes a major Israeli military incursion into southern Lebanon at present and has prevailed for now over senior Israeli military officers who favor such a strike. Gur would not estimate the limits of Israeli patience, but urged that the US take immediate action to defuse the situation by encouraging Syria to persuade the Palestinians to withdraw north of the Litani River.//

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the Israeli chief of planning believes that the present combination of Israeli and Christian forces is sufficient to maintain a "satisfactory situation" in the south until some alternative can be worked out to provide security in the border area.

//We continue to believe, based on our own reading of the situation in southern Lebanon and contradictory assessments from the Israelis, that Israeli leaders are trying to build a credible case either for direct military intervention in southern Lebanon or for the need for a US demarche to the Syrians to rein in the Palestinians. The Israelis may calculate that either move would harm US efforts to encourage the Palestinians to adopt a more moderate negotiating position.//

//Indeed, Syrian President Asad would probably regard such a demarche as unwarranted US pressure on Israel's behalf. As such, it could well weaken US credibility with both the Syrians and the Palestinians.//

#### ETHIOPIA-SOMALIA: Situation Report

*Somali forces in the south apparently intend to attempt to extend their control over parts of Bale and Sidamo provinces beyond the area traditionally claimed by Somalia.*

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[redacted] Ethiopia has already given up considerable ground in the south, including all the territory bordering on Somalia and part of that bordering on Kenya. A few outposts remain, but they are surrounded by insurgents.

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[redacted]

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[redacted] In recent weeks, it has become evident that the territorial claims of the Western Somali Liberation Front extend deep into Ethiopia, beyond the area inhabited by ethnic Somalis and historically claimed by Somalia. Somali Liberation Front maps shown to Western journalists lay claim not only to the Ogaden but to all of Bale, Sidamo, and Arusi provinces.

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[redacted] The area outside the Ogaden includes much of the homeland of the southern branch of the Galla ethnic group, which has a long history of opposition to control by Addis Ababa. There was an active anti-government insurgency in Bale and Sidamo in the late 1960s, but organized operations ended in 1970 when Wago Guto, one of the major insurgent leaders, accepted a government amnesty.

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[redacted] The Gallas, with support from Somalia, renewed the fighting in late 1975 when the ethnic Somali insurgents became active. Last year, Wago Guto went to Somalia and [redacted]

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[redacted] led an organization called the Oromo Liberation Front; Oromo is the traditional name of the Gallas. The Oromo Front, however, never developed a separate identity. The guerrilla bands in Sidamo and Bale appear to be a mixture of Gallas and ethnic Somalis. The absorption of the Gallas into the Western Somali Liberation Front was eventually formalized. Wago Guto is the chairman of the Front's politbureau and denies knowledge of an Oromo Liberation Front.

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[REDACTED] The Somali Liberation Front's broad territorial claims may be a political ploy aimed at future negotiations with Ethiopia. The Gallas probably want substantial autonomy for their territory and do not wish to be subordinate either to Addis Ababa or Mogadiscio. Somalia, by supporting Galla insurgents, helps tie down Ethiopian troops that could be used in the Ogaden. The Somalis may intend to use the Galla territorial claims as a bargaining chip to pressure Addis Ababa into making concessions in the Ogaden.

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[REDACTED] The claims of the Somali Liberation Front will stiffen Ethiopian resistance to a negotiated settlement. If the Galla succeed in wresting control of their territory from Addis Ababa it might encourage separatism among other Ethiopian ethnic groups. [REDACTED]

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ZAIRE: More Debt Relief

25X1 [ ] //Despite repeated debt rescheduling, Zaire's economy remains near bankruptcy. The economy has contracted for three consecutive years as a result of balance-of-payments problems, stagnating copper output, and the effects of nationalization programs. The government continues to overspend, and the resulting budget deficits have contributed to rapid inflation. We foresee no basic improvement in the economy, and Zaire will continue to need substantial foreign debt relief at least through 1978.//

25X1 [ ] //Lack of restraint in government spending and the drop in copper output have kept the economy in a severe financial bind since 1974. During that year, the oil import bill more than doubled, while imports of raw materials and intermediate goods rose more than 50 percent.//

25X1 [ ] //Although stringent import controls cut foreign purchases sharply in 1975, the collapse of world copper prices depressed export earnings by an even larger amount. At the same time, capital inflows fell by a half in the wake of Mobutu's nationalization program. By the end of 1975, net foreign reserves had declined to \$39 million--less than two weeks' worth of imports--and the foreign debt had climbed to \$1.7 billion.//

25X1 [ ] //The three-year decline in real economic growth has been accompanied by an inflation rate accelerating to 80 percent because of the general supply squeeze and a huge increase in government spending.//



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[ ] //In the past 15 months, Zaire has negotiated nearly \$700 million in debt rescheduling and new loan commitments, including about \$100 million in bilateral assistance from the US, the UK, West Germany, France, and other Western governments. An agreement signed in London last November provided for a \$250-million loan if interest arrears were paid up and interest payments kept current. Although Zaire has met this condition, terms for the loan still have not been agreed on.//

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[ ] //Zaire's continuing need for foreign assistance has placed President Mobutu in a dilemma. Foreign creditors are demanding economic reform, but Mobutu may face a political risk if strict austerity and reform measures are followed. Zaire has promised to curb government spending, control wages, and limit credit expansion. As part of an agreement with the International Monetary Fund, Zaire devalued the currency 42 percent in March, agreed to prolong import controls, and reversed its nationalization policy.//

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[ ] //Living up to most of these conditions already is proving difficult. Budget expenditures continue to rise and tight wage controls will be nearly impossible to enforce. Although Kinshasa has started a denationalization program, many foreign firms are unwilling to return.//

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[ ] //Zaire will need \$550 million this year to cover its current-account deficit plus amortization of its medium- and long-term debt. Even if Zaire received all the foreign funds now committed, however, it would still need more than \$200 million. Because Zaire's poor credit rating limits access to even short-term markets, the financial shortfall probably will lead to further arrears on debt repayments.//

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[ ] //Mobutu has recently promoted the idea of a "Marshall plan" for Zaire. Most creditor governments view the plan as duplicative and as an attempt to escape close international economic supervision. Kinshasa's commitment to economic reform was called into question this week by the firing of Central Bank Governor Sambwa, the only independent economic adviser close to Mobutu. Mobutu said that Sambwa's dismissal marks the beginning of a purge of civil servants. The purge could further shake the confidence of Zaire's creditors if other competent civil servants connected with economic stabilization are dismissed.//

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[redacted]//Zaire probably will require additional emergency debt relief next year. A strong comeback in copper exports is not in store, given continuing transport problems and the weak copper market, while the surge in coffee earnings is already running out of steam. As a result, little or no gain is expected on the export side. With import volume still 30 percent below 1974 levels, further cutbacks will be difficult to absorb. Zaire faces foreign debt payments of \$450 million in 1978.

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GUYANA: Economic Difficulties

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[redacted] Guyana's economic difficulties, brought on by a tightening foreign exchange squeeze, have worsened markedly in recent weeks. With an election due by next July, these problems, including industrial layoffs and labor strife, spell trouble for the ailing Prime Minister Burnham.

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[ ] //Guyana's balance-of-payments problems began to intensify last year as a result of falling sugar prices and production shortfalls in bauxite and rice. Sugar, bauxite, and rice together account for about 80 percent of Guyana's export earnings. Guyana achieved a record spring rice crop this year, but low sugar prices, which the government says are below production costs, and the continuing lackluster performance in bauxite production have slowed the recovery. Early this year, the government was forced to resort to drastic import restrictions and other austerity measures.//

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[ ] //The inability to import needed materials has led many private and state businesses--some of which are themselves foreign exchange earners--to make major cutbacks in work forces and in some cases to talk of shutdowns. Labor-intensive industries, such as garment making and food processing, have been particularly hard hit. Spare parts shortages, moreover, are hampering the maintenance of production equipment. A government official stated recently that inability to import spare parts has kept more than half of the government's transportation equipment out of operation.//

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[ ] Austerity measures already on the books are likely to slash imports this year 16 percent below the 1976 level. Finance Minister Hope indicated this week, however, that further import cuts will be required if new loans are not forthcoming soon. In order to maintain even the current low level of imports for the rest of this year, Guyana needs at least \$50 million in new financing. The country's gross foreign exchange holdings are reportedly less than \$20 million--enough to cover only three weeks' imports.

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[ ] So far, Guyana has had little success in securing major foreign financial assistance. The government has been seeking a loan of \$47 million from Trinidad and Tobago--so far to no avail--and Burnham plans to travel to Libya later this month in search of aid. The foreign minister went to Libya in June; he returned with a promise of \$5 million.

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[ ] Guyana's economic difficulties have resulted in mounting political problems for Burnham. In recent months his support, particularly among workers, has begun to erode. The opposition People's Progressive Party, led by Cheddi Jagan,

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has been quick to try to exploit the situation by striking alliances with radical splinter parties that have had some recent success in appealing to Afro-Guyanese workers hitherto loyal to Burnham.

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[ ] On Tuesday, Jagan moved to take advantage of Burnham's difficulties and the divisions within the ruling party by calling for the creation of a national patriotic front. This appeal is apparently directed at the left wing of Burnham's People's National Congress in an effort to woo members who are dissatisfied with the more moderate course he has recently pursued. It is unlikely that any members of the ruling party would be willing to join such a front, but Jagan's gambit will increase pressure on Burnham to shift leftward.

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#### BRIEFS

##### Chile:

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[ ] The Chilean government's announcement that it will revoke the decree creating the notorious secret police, the National Intelligence Directorate, should help improve its human rights image. President Pinochet had been under fire from civilian and military officials for months to curb DINA's absolute powers.

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[ ] Some of DINA's police powers presumably will be assumed by the Carabineros and, according to press reports, a National Information Center will be formed to gather intelligence "to safeguard national security." Some armed forces intelligence units have also been responsible for the abuses that have occurred in Chile; it is not yet clear whether they are affected by the shakeup. [ ]

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